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OMB APPROVAL

OMB Number: 3235-0123

Expires: January 31, 2007

Estimated average burden  
hours per response.....12.00**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER

8-49192

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**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING

01-01-05

AND ENDING

12-31-05

MM/DD/YY

MM/DD/YY

**A. REGISTRANT IDENTIFICATION**NAME OF BROKER-DEALER: **Horan Securities, Inc.**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box (No.))

**8044 Montgomery Road, Suite 520****Cincinnati**

(City)

**Ohio**

(State)

**45236**

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

**Terence L. Horan****(513) 745-0707**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**BKD, LLP**

(Name - if individual, state last, first, middle name)

**312 Walnut Street, Suite 3000**

(Address)

**Cincinnati**

(City)

**45202**

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

# **Horan Securities, Inc.**

Accountants' Report and Statement of Financial Condition

December 31, 2005



## Independent Accountants' Report

Board of Directors  
Horan Securities, Inc.  
Cincinnati, Ohio

We have audited the accompanying statement of financial condition of Horan Securities, Inc. as of December 31, 2005. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of Horan Securities, Inc. as of December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

*BKD, LLP*

Cincinnati, Ohio  
February 3, 2006

**Horan Securities, Inc.**  
**Statement of Financial Condition**  
**December 31, 2005**

**Assets**

Cash	\$ 182,787
Commissions receivable	93,396
Prepaid expenses	28,429
Furniture and equipment, net of accumulated depreciation and amortization of \$48,837	39,291
Other assets	<u>11,588</u>
	<u>\$ 355,491</u>

**Liabilities and Stockholders' Equity**

**Liabilities**

Accounts payable	\$ 19,966
Accrued expenses	<u>195,836</u>
Total liabilities	<u>215,802</u>

**Stockholders' Equity**

Common stock, no par value; 850 shares authorized; 75 shares issued and outstanding	750
Additional paid in capital	292,250
Deficit	<u>(153,311)</u>
Total stockholders' equity	<u>139,689</u>
	<u>\$ 355,491</u>

**Horan Securities, Inc.**  
**Notes to Financial Statement**  
**December 31, 2005**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

Horan Securities, Inc. is a broker-dealer and investment advisor registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD). The Company is a broker of mutual funds, annuities and other securities and is licensed to operate in ten states, primarily in the Midwest and Florida. The Company does not carry security accounts for customers or perform custodial functions related to customer securities.

***Use of Estimates***

The preparation of the financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

***Cash***

At December 31, 2005, the Company's cash accounts exceeded federally insured limits by approximately \$371,000.

***Commissions Receivable***

Receivables represent commissions due on trades of mutual fund investments and annuities. Commissions receivable are generally expected to be collected within 30 days of the trade date. Based upon the nature of these receivables and historical collection information, an allowance for doubtful accounts is not required.

***Furniture and Equipment***

Furniture and equipment are recorded at cost and depreciated over the estimated useful life of each asset. Annual depreciation is primarily computed using accelerated methods.

***Income Taxes***

Deferred tax assets and liabilities are recognized for the tax effect of differences between financial statement and tax basis of assets and liabilities. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized.

**Horan Securities, Inc.**  
**Notes to Financial Statement**  
**December 31, 2005**

**Note 2: Related Parties**

Horan Associates, Inc., which is owned by the majority stockholder of Horan Securities, Inc., provides certain administrative support (primarily office space) for the Company.

The Company has a verbal agreement to assume responsibility for its portion of the noncancellable operating lease for office space, which expires August 31, 2016. The Company's share of future minimum lease payments at December 31, 2005, was:

2006	\$	119,873
2007		110,372
2008		110,372
2009		112,245
2010		115,988
Later Years		<u>678,313</u>
	\$	<u>1,247,163</u>

**Note 3: Income Taxes**

The tax effects of temporary differences related to deferred taxes shown on the statement of financial condition were:

	<b>2005</b>	<b>2004</b>
Deferred tax assets		
Net operating loss carryforward	\$ 13,600	\$ 14,600
Depreciation and amortization	100	600
Contributions carryforward	<u>1,600</u>	<u>—</u>
Net deferred tax asset before valuation allowance	<u>15,300</u>	<u>15,200</u>
Valuation allowance		
Beginning balance	14,600	—
Increase during the period	<u>400</u>	<u>(14,600)</u>
Ending balance	<u>15,000</u>	<u>(14,600)</u>
Net deferred tax asset	<u>\$ 300</u>	<u>\$ 600</u>

**Note 4: Profit Sharing Plan**

The Company has a 401(k) profit-sharing plan covering substantially all employees. The Company's contributions to the plan are determined annually by the Board of Directors.

**Horan Securities, Inc.**  
**Notes to Financial Statement**  
**December 31, 2005**

**Note 5: Net Capital Requirements**

The Company is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. In addition, equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1. At December 31, 2005 the Company had net capital of \$60,079, which exceeded the minimum required amount by \$35,079, and the Company's ratio of aggregate indebtedness to net capital was 3.59 to 1.

**Note 6: Contingencies**

The Company has a consulting agreement with a stockholder and former employee. Under the terms of this agreement the Company is contingently liable, through May 2007, to pay the former employee a percentage of certain future commissions collected. The Company has estimated this contingent liability will total approximately \$103,000 and will be paid monthly as commissions are collected.

**"CONFIDENTIAL - DO NOT PUBLISH"**

**OATH OR AFFIRMATION**

I, Terence L. Horan, swear (or affirm) that to the best of my knowledge and belief the accompanying financial statements and additional financial information pertaining to the firm of Horan Securities, Inc. as of December 31, 2005, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Notary Public

This report contains: (check all applicable boxes)

- (xx) (a) Facing Page
- (xx) (b) Statement of Financial Condition
- (xx) (c) Statement of Operations
- (xx) (d) Statement of Cash Flows
- (xx) (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital
- ( ) (f) Statement of Changes in Liabilities Subordinated to claims of Creditors
- Additional financial information:
- (xx) (g) Computation of Net Capital
- (xx) (h) Computation for Determination of Reserve Requirement Pursuant to Rule 15c3-3
- (xx) (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3
- ( ) (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3
- ( ) (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation
- (xx) (l) An Oath or Affirmation
- ( ) (m) A copy of the SIPC Supplemental Report
- ( ) (n) A Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit
- (xx) (o) Independent Auditors' Supplementary Report on Internal Control